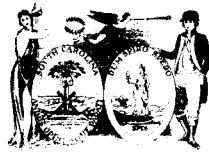


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

September 15, 2004

Ms. Julie Allen, Chief Financial Officer  
Allendale County Memorial Hospital  
Post Office Box 218  
Fairfax, South Carolina 29827

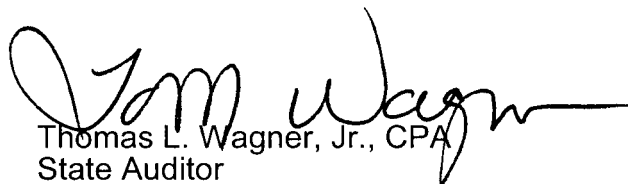
Re: AC# 3-JEH-J9 – Allendale County d/b/a John Edward Harter Nursing Center

Dear Ms. Allen:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider

**ALLENDALE COUNTY  
D/B/A JOHN EDWARD HARTER NURSING CENTER  
FAIRFAX, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2000  
AC# 3-JEH-J9**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 22, 2004

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Allendale County d/b/a John Edward Harter Nursing Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Allendale County d/b/a John Edward Harter Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

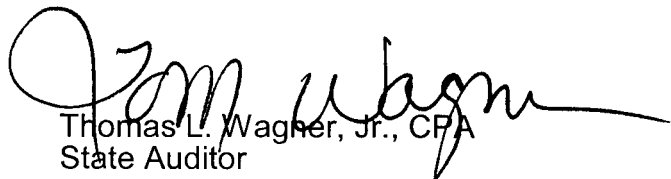
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Allendale County d/b/a John Edward Harter Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Allendale County d/b/a John Edward Harter Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
July 22, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA  
State Auditor

**ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2000  
AC# 3-JEH-J9

	10/01/00- <u>09/30/01</u>
Interim Reimbursement Rate (1)	\$102.54
Adjusted Reimbursement Rate	<u>100.12</u>
Decrease in Reimbursement Rate	\$ <u><u>2.42</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

**ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2000 Through September 30, 2001  
 AC# 3-JEH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$41.10	\$44.89	
Dietary		14.64	11.39	
Laundry/Housekeeping/Maintenance		<u>10.35</u>	<u>8.99</u>	
Subtotal	\$ <u>-</u>	66.09	65.27	\$ 65.27
Administration & Medical Records	\$ <u>-</u>	<u>18.64</u>	<u>13.45</u>	<u>13.45</u>
Subtotal		84.73	<u>\$78.72</u>	78.72
<u>Costs Not Subject to Standards:</u>				
Utilities		5.92		5.92
Special Services		-		-
Medical Supplies & Oxygen		2.71		2.71
Taxes and Insurance		.96		.96
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$94.32</u>		88.31
Inflation Factor (3.20%)				2.83
Cost of Capital				16.96
Cost of Capital Limitation				(10.25)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/00				1.75
Nurse Aide Staffing Add-On 10/01/99				<u>.52</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$100.12</u>

**ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-JEH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 641,181	\$ 6,553 (1)	\$ -	\$ 647,734
Dietary	304,596	-	73,916 (1)	230,680
Laundry	3,526	4,327 (1)	-	7,853
Housekeeping	65,019	-	8,049 (1)	56,970
Maintenance	48,355	49,875 (1)	-	98,230
Administration & Medical Records	222,117	71,713 (1)	-	293,830
Utilities	143,865	-	50,639 (1)	93,226
Special Services	-	-	-	-
Medical Supplies & Oxygen	41,886	891 (1)	-	42,777
Taxes and Insurance	2,409	12,777 (1)	-	15,186
Legal Fees	-	-	-	-
Cost of Capital	<u>232,883</u>	<u>107,595</u> (2)	<u>73,182</u> (1)	<u>267,296</u>
Subtotal	1,705,837	253,731	205,786	1,753,782



**ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-JEH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	-	-	-	-
Nonallowable	<u>(1,788)</u>	<u>91,739</u> (1)	<u>107,595</u> (2)	<u>(17,644)</u>
Total Operating Expenses	<u>\$1,704,049</u>	<u>\$345,470</u>	<u>\$313,381</u>	<u>\$1,736,138</u>
Total Patient Days	<u>15,760</u>	<u>-</u>	<u>-</u>	<u>15,760</u>
Total Beds	<u>44</u>			

**ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-JEH-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	General Services	\$ 6,553	
	Laundry	4,327	
	Maintenance	49,875	
	Administration	71,713	
	Medical Supplies	891	
	Taxes and Insurance	12,777	
	Nonallowable	91,739	
	Dietary		\$ 73,916
	Housekeeping		8,049
	Utilities		50,639
	Cost of Capital		73,182
	Other Equity		32,089
	To adjust cost centers to amounts per the settled Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	107,595	
	Nonallowable		107,595
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$345,470	\$345,470

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1999  
 AC# 3-JEH-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>44</u>
Deemed Asset Value	1,591,260
Improvements Since 1981	824,820
Accumulated Depreciation at 9/30/99	<u>(622,838)</u>
Deemed Depreciated Value	1,793,242
Market Rate of Return	<u>.060</u>
Total Annual Return	107,595
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	107,595
Depreciation Expense	161,943
Amortization Expense	-
Capital Related Income Offsets	(2,242)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	267,296
Total Patient Days	<u>15,760</u>
Cost of Capital Per Diem	\$ <u><u>16.96</u></u>

**ALLENDALE COUNTY D/B/A JOHN EDWARD HARTER NURSING CENTER**

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-JEH-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.72
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.71</u>
Reimbursable Cost of Capital Per Diem	\$ 6.71
Cost of Capital Per Diem	<u>16.96</u>
Cost of Capital Per Diem Limitation	\$ <u>(10.25)</u>

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